MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BBF2044 – BANK MANAGEMENT

(All sections/Groups)

11 JULY 2023
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **THREE (3)** pages with **FOUR (4)** questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

(a) According to the statement made by Central Bank of Malaysia in May 2023, why the Monetary Policy Committee (MPC) decided for the fifth increase of the Overnight Policy Rate to 3.00 percent? Discuss how the Central of Bank of Malaysia foresees the growth momentum in Malaysia. (15 marks)

(b) If you plan to purchase a new house now and took on a loan to finance it, will the increase of the Overnight policy rate make you change your mind? Discuss. (10 marks)

(Total: 25 marks)

QUESTION 2

a) What is Net Stable Funding Ratio (NSFR) under Basel III framework and how does it impact the financial sector? (12 marks)

b) The following is the financial information for the world's leading bank Industrial and Commercial Bank of China Ltd. (IDCBY) in the year 2022.

Assets	Market Value (RM)	Rate (%)	Assets Durations (years)	Liabilities & Equity	Market Value (RM)	Rate (%)	Liabilities Duration (years)
Cash	500			Transaction deposits	350	2.5	1.943
Credit Card Loan	600	6	1.250	Negotiable CDs	750	2	1.500
Housing Loan	400	8	5.650	Money market borrowings	400	4.5	3.500
Municipal bond	150	4	7.250	Stockholder' Equity	150		
Total	RM1,650			Total	RM1,650		

(i) Calculate the weighted-average duration of IDCBY's assets portfolio and liabilities portfolio? (6 marks)

(ii) Estimate the IDCBY's duration gap model to hedge the interest rate risk. (3 marks)

Continued ...

(iii) Suppose that the interest rate was 8 percent and then rise to 9 percent. The bank managers want to know what will happen to the change in the value of IDCBY's net worth.
(4 marks)

(Total: 25 marks)

QUESTION 3

(a) Why core deposits are always more desirable to the banking institutions instead of volatile liabilities in terms of interest elasticity, and how can the banking sector attract and retain the larger volume of core deposits? (9 marks)

(b) The following information provides the Maybank Berhad's balance sheet data in the year 2022:

Bank Assets		Bank Liabilities	
Items	RM	Items	RM
Statutory Reserve	500	Money Market Deposit	3,800
Derivatives Trading	2,600	Fixed Deposits	6,780
Deposit held at Hong Leong Bank	3,700	Subordinated Debt	1,250
Allowance for Loan Loss	(300)	Common Stock	920
Collateralized Mortgage Obligation	1,500	Surplus	200
Business Loans	1,300	Retained Earnings	150
Credit Card Loans	2,100		
Municipal Bonds	1,700		
Total	RM13,100		RM13,100

(i) Calculate the total risk-weighted assets of Maybank Berhad. (10 marks)

(ii) Explain whether Maybank is subjected to BASEL III regulatory restrictions in light of its Tier 1 core capital adequacy status? (6 marks)

(Total: 25 marks)

Continued ...

QUESTION 4

(a) Briefly discuss any THREE (3) importance bank's credit culture in managing credit risk. (10 marks)

(b) Hong Leong Bank Berhad has recorded the following financial data for the year 2022

Assets	RM	Rate	Liabilities & Equity	RM	Rate
3-months Treasury bills	3600	7%	Repurchase agreement	2300	9%
Real estate loan at fixed rate	1800	9%	Fixed deposit account	1900	7%
Reserves at Bank Negara Malaysia	600		Equity capital	1800	
Total	6,000			6,000	

(i) What should be Hong Leong Bank Berhad's net interest income and net interest margin if interest rate and portfolio composition remain constant during the year 2022? (8 marks)

(ii) What change would occur in the net interest income and net interest margin if the entire yield curve increased by 2 percent during the year? (7 marks)

(Total: 25 marks)

End of Paper